THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) There is no proposal at present to increase the quantity of gold of 5 Kgs. per passenger, imported into India as baggage by passengers of Indian origin or holding valid Indian passports.

(b) Tourists, under Tourist Baggage Rules, 1978, can be passengers other than of Indian origin, and can be holding other than Indian passports. These tourists are not eligible to import gold into India paying duty at the rate of Rs. 220 per 10 grammes. There is no proposal at present to reduce the rate of duty further.

(c) Does not arise in view of (a) and (b).

Impact of Gold Bond scheme on Gold prices

932. SHRI SHANTI TYAGI: Will the Minister of FINANCE be pleased to state:

(a) what are the objective and details of the Gold Bond Scheme announced by the Central Government;

(b) what will be the impact of the Scheme on gold prices in the country;

(c) whether Government would consider to lower down the minimum limit of subscription of 500 gms of gold; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) The main objective of the Gold Bonds Scheme is to mobilise the idle gold resources of ordinary citizens to supplement official reserves. Subscriptions to the Gold Bonds, which will open for 3 months on 15.3.93, will be accepted in the form of gold and at the end of 5 years an equivalent quantity of gold will be returned to the subscribers. The Bonds will bear a lumpsum interest for the 5 years at the rate of Rs. 40/- for each gramme of gold of 0.995 fineness, payable on maturity in rupees. The Bonds are open to subscription by a resident in India, being an individual a HUF, trustees of a trust, a firm or a company. The initial subscribers to the Bonds will enjoy certain immunities and exemptions from direct taxes. Complete details of the Scheme are contained in the Notification issued in this behalf, a copy of which is being laid on the Table of the House today.

(b) It is too early to make an assessment about the impact of the Scheme on domestic gold prices.

(c) and (d) The minimum limit was fixed taking into account the facilities available in the Government Mints for assaying of gold. This is however, subject to review as the scheme progresses.

Guidelines for setting up of Banks in the Private Sector

933. SHRI SURESH KALMADI: Will the Minister of FINANCE be pleased to state the guidelines issued by Government for the setting up of new private sector banks in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): Reserve Bank of India have issued guidelines in January 1993 regarding entry of new private sector banks. The details of these guidelines are given in attached statement.

Statement

Guidelines on entry of new private sector banks

(a) Such a bank shall be registered as a public limited company under the Companies Act, 1956,

(b) The RBI may, on merits, grant a licence under the Banking Regulation

Act 1949 for such a bank. The bank may also be included in the Second Schedule of the Reserve Bank of India Act, 1934 at the appropriate time. The decision of the RBI in these matters shall be final.

(c) The bank will be governed by the provisions of the Banking Regulation Act, 1949 in regard to its authorised, subscribed and paid-up capital. The minimum paid-up capital for such a bank shall be Rs. 100 crores. The promoters' contribution for such a bank shall be determined by the RBI and will also be subject to other applicable regulations.

(d) The shares of the bank should be listed on stock exchanges.

(e) To avoid concentration of the headquarters of new banks in metropolitan cities and other overbanked areas, while granting a licence preference may be given to those the headquarters of which are proposed to be located in a centre which does not have the headquarters of any other bank.

(f) Voting rights of an individual shareholder shall be governed by the ceiling of 1 percent of the total voting rights as stipulated by Section 12(2) of the Banking Regulation Act. However, exemption from this ceiling may be granted under Section 53 of the said Act, to public financial institutions.

(g) The new bank shall not be allowed to have as a director any person who is a director of any other banking company, or of companies which among themselves are entitled to exercise voting rights in excess of twenty per cent of the total voting rights of all the shareholders of the banking company, as laid down in the Banking Regulation Act, 1949.

(h) The bank will be governed by the provisions of the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 and other relevant statutes, in regard to its management set-up, liquidity requirements and the scope of its activities. The directives, instructions, guidelines and advices given by the RBI, shall be applicable to such a bank as in the case of other banks. It would be ensured that a new bank would concentrate on core banking activities initially.

(i) Such a bank shall be subject to prudential norms in respect of banking operations accounting policies and other policies as are laid down by RBI. The bank will have to achieve capital adequancy of 8 percent of risk weighted assets from the very beginning. Similarly, norms for income recognition, asset classification, and provisioning will also be applicable to it from the beginning. So will be the single borrower and group borrowers exposure limits that will be in force from time to time.

(j) The bank shall have to observe priority sector lending targets as applicable to other domestic banks. However, in recognition of the fact that new entrants may require some time to lend to all categories of the priority sector, some modification in the composition of the priority sector lending may be considered by the RBI for an initial period of three years.

(k) Such a bank will also have to comply with such directions of the RBI as are applicable to existing banks in the matter of export credit. As a facilitation of this it may be issued an authorised dealers licence to deal in foreign exchange, when applied for.

(l) A new bank shall not be allowed to set up a subsidiary or mutual fund for at least three years after its establishment. The holding of such a bank in the equity of other companies shall be governed by the existing provisions applicable to other banks viz.—

(i) 30 per cent of the bank's or the invitee company's capital funds, whichever is less, as set out under the Banking Regulation Act, 1949; and

(ii) 1.5 per cent of the bank's incremental deposits during a year as per RBI guidelines.

The aggregate of such investment in the subsidiaries and Mutual Fund (if and when set up) and portfolio investments

in other companies shall not exceed 20 per cent of the bank's own paid-up capital and reserves.

(m) In regard to branch opening, it shall be governed by the existing policy that banks are free to open branches at various centres including urban/metropolitan centres without the prior approval of the RBI once they satisfy the capital adequacy and prudential accounting norms. However, to avoid over-concentration of their branches in metropolitan areas and cities, a new bank will be required to open rural and semi-urban branches also, as may be laid down by RBI.

(n) Such a bank shall have to lay down its loan policy within the overall policy guidelines of RBI. While doing so, it shall specifically provide prudential norms covering related party transactions.

(o) Such a bank shall make full use of modern infrastructural facilities in office equipments, computer, telecommunications etc. in order to provide good customer service. The bank should have a high powered customer grievances cell to handle customer complaints.

(p) Such other conditions as RBI may prescribe from time to time.

Total indebtedness of India

934. SHRI RAJNI RANJAN SAHU:
SHRI RAMENDRA KUMAR YADAV RAVI:
MISS SAROJ KHAPARDE:

Will the Minister of FINANCE be pleased to state:

(a) what is the total amount of indebtedness of India upto December, 1992;

(b) what are the detail, of investment of this debt; and

(c) what are the proposals of Government to redeem India of such indebtedness?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) The aggregate external debt of India (excluding defence debt) stood at US dollar 71.11 billion (Rs. 202972 crores) at the end of September, 1992.

(b) The aggregate debt consists of: mainly project loans under external assistance programme from bilateral and multilateral source (US dollar 39.90 billion or Rs. 115437 crore), balance of payments support by the IMF (US dollar 4.18 billion or Rs. 10830 crore), export credit (US dollar 2.92 billion or Rs. 8688 crore), commercial borrowings for public and private sector projects (US dollar 12.27 billion or Rs. 36190 crore), Non-resident Indian and Foreign Currency (Banks and Others) deposit (US dollar 9.87 billion or Rs. 26747 crore) and trade-related short term debt (US dollar 1.96 billion or Rs. 5080 crore).

(c) It is the policy of the Government to reduce reliance on external borrowings as soon as possible by stepping up growth in exports and invisibles, and by encourage non-debt creating flows of capital in the form of foreign equity. In continuation of the policies already in place, a number of new measures have been announced by the Government in the Union Budget, presented to the Houses of Parliament on 27 February 1993 in this direction such as the unification of the exchange rate, reduction in the rate of interest on export credit, further reduction in customs tariffs on capital goods, reduction of short-term capital gains tax on foreign portfolio investment, etc.

Transfer of coins from Nagpur RBI to Bombay

935. SHRIMATI CHANDRIKA ABHINANDAN JAIN: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that coins worth seven crores of rupees were doubly minted and were dumped in the vaults of the new RBI building at Nagpur from where these were recently reported to have been transferred back to Bombay in three instalments at an estimated cost of several lakhs of rupees;